

# **THE EFFECT OF IMAGE AND BRAND TRUST ON REPEAT VISITATION**

**NAJIB MOHAMMED ABDULQADER ALGUNAID**

**UNIVERSITI SAINS MALAYSIA  
201**

# **THE EFFECT OF IMAGE AND BRAND TRUST ON REPEAT VISITATION**

by

**NAJIB MOHAMMED ABDULQADER ALGUNAID**

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## **LIST OF ABBREVIATIONS**

PATA	Pacific Area Travel Association
S-O-R	Stimulus-Organism-Response
MTPB	Malaysia Tourism Promotional Board
AGFI	Adjusted Goodness-of-Fit Index
AMOS	Analysis of Moment Structures
AVE	Average Variance Extracted
RMSEA	Root Mean Square Error of Approximation
GFI	Goodness of Fit
CFI	Comparative Fit Index
NFI	Normed Fit Index
CFA	Confirmatory Factor Analysis
MLE	Maximum Likelihood Estimation
CR	Construct Reliability
SPSS	Statistical Package for the Social Sciences
TLI	Tucker-Lewis Index
CR	Critical Ratio
AA	Rating British System Hotel Star
AAA	The classification United States and Canada Hotel Star
PAD	Pleasure, Arousal, and Dominance

# **KESAN DARIPADA IMEJ DAN KEPERCAYAAN JENAMA TERHADAP LAWATAN SECARA BERULANG**

## **ABSTRAK**

Peningkatan persaingan di peringkat global menyebabkan saingan pasaran yang semakin sengit dalam kalangan industri perkhidmatan, yang mewakili kebanyakan ekonomi sektor perkhidmatan masa kini. Senario ini boleh diaplikasikan bagi industri perhotelan. Industri perhotelan merupakan industri penyumbang terbesar kepada ekonomi global dan menyediakan peluang pekerjaan kepada jutaan insan di seluruh dunia. Berdasarkan kesignifikanan saiz dan ekonomi industri ini, maka adalah penting untuk memahami aspek prestasi perniagaan yang mendorong para pelanggan atau pengguna melawatnya secara berulang kali. Kepentingan menonjolkan sesebuah hotel melalui imej yang sesuai adalah penting untuk memahami bagaimana ia diterima oleh pengguna dan untuk membezakannya daripada pesaing lain. Kajian ini bertujuan mengkaji kesan daripada lima dimensi imej hotel (harga, dasar / polisi, kemudahan capaian, identiti korporat, hubungan personel dan pengalaman –daripada perkhidmatan) dalam meramal lawatan secara berulang. Kepercayaan terhadap jenama diperkenalkan sebagai pemboleh ubah atau variabel pengantara di antara imej hotel dan lawatan secara berulang. Kajian ini ditumpukan khusus untuk mengkaji empat buah hotel bertaraf 4-bintang. Data dikumpul daripada tetamu hotel melalui soal selidik urus sendiri (self-administrative questionnaires), dan sebanyak 356 respons yang boleh digunakan dianalisis. Dapatan kajian menunjukkan bahawa hanya dimensi pengalaman daripada perkhidmatan mempunyai perkaitan positif dengan lawatan secara berulang. Justeru, dapatan

kajian ini menyokong kesan perantaraan daripada kepercayaan jenama terhadap perkaitan di antara dua dimensi imej: (1) pengalaman daripada perkhidmatan, dan (2) identiti korporat dengan lawatan secara berulang.

# **THE EFFECT OF IMAGE AND BRAND TRUST ON REPEAT VISITATION**

## **ABSTRACT**

The increasing global competition has led to an intensively highly competitive market among the service industries which represent the majority of today's service sector economy. This scenario is also applied to hotel industry. The hotel industry is a large industry contributing substantially to global economies and providing employment for many million people worldwide. Given the size and economic significance of this industry, it is important to understand the aspects of business performance that persuade customers to pay repeat visitation. Positioning hotels through appropriate hotel image is important to understand how it is perceived by its customers and to differentiate themselves from the competitors. This study attempted to investigate the relationship of five dimensions of hotel image (pricing policy, access convenience, corporate identity, contact personnel and the service experience) in predicting repeat visitation. Brand trust was introduced as mediation between hotel image and repeat visitation. This study was narrowed down to study hotel image of 4-star hotels. Data were collected from hotel guests by using self-administrated questionnaire, and a total of 356 usable responses were analysed. The findings indicate that only service experience, one of the five the dimensions of hotel image, was found to have a positive relationship with repeat visitation. The results support the mediation effect of brand trust on the relationship between two dimensions of hotel image: (1) service experience and (2) corporate identity with repeat visitation.



## **CHAPTER 1: INTRODUCTION**

### **1.1 Introduction**

Chapter one provides an overview of this study. The main objective of this research endeavour is to make an examination of the hotel industry in Malaysia. The chapter details an outline of the study's background and the problem statement. It also presents both the research objectives and research questions, specifically with respect to the examination of the effect of brand trust and image on repeat visitation. The scope, significance and the definition of the key terms explored in this study are also presented in this chapter. To the end of the chapter, a section is given to describe the organisation of this thesis.

### **1.2 Background to the Study**

Throughout the world today, the service industries represent the greater part of the economy in relation the service sector, in both developed and also in developing countries. For the majority of countries, there is a variation in the scope of the service sector, encompassing a broad range of differing industries offering services to individuals as well as business customers, not for profit organisations in addition to government agencies (Lovelock & Wright, 2002). The service industry is important for several reasons. Firstly, there are many developing countries that are growing at a rapid rate. These countries have recently witnessed a shift in their economy from a manufacturing focus to service sector focus. Secondly, the service industry is one of the key factors for a successful economic resolution. It effectively contributes to creating better competition for industries and helps towards long-term organisational survival (Fisher, 2007).

In Malaysia, the service industry has gained an increased level of attention in today's business environment (Khang, Arumugam, Chong, & Chan, 2010). This industry has noted an impressive output growth of 4.3 % during the years 1998-2002 (National Productivity Corporation, 2003). Furthermore, the growth is ongoing and in 2006 it achieved 7.2% and reached 9.7% in 2007 (Malaysia, 2008). In 2002 the service sector was seen to improve when the Malaysian government implemented a paradigm shift. This shift was away from a focus on a production-based economy, with a move to a service-based economy (Bank Negara Malaysia, 2002).

Malaysia's economic growth has been linked to the services sector and the importance of this sector has been highlighted at an increasing rate in many of the country's development plans (Alejandro., Powell., Brady., & Wohl., 2009). One of the major contributors of the sub-sector for the service economy in Malaysia is the hotel industry. The expansion of Malaysia's hotel industry has been aroused by the growth within the tourism industry. Recently, Malaysia has emphasised assertively the growth of tourism by introducing the slogan 'Visit Malaysia' ahead of Visit Malaysia Year 2014. Since that time Malaysia has begun to position itself strategically in the tourism industry and the hotel industry is viewed as one of the sectors earmarked as its next engine of growth.

During 2014, Malaysia is set to receive approximately 28.8 million international tourist arrivals. Malaysia's Ministry of Tourism and Culture indicated that the Malaysian tourism industry is progressing at a rapid rate through its hosting of several significant tourism events which have been held to create an awareness and to gain a strong level of support from both the private and public sectors. The concept "Celebrating 1 Malaysia. Truly Asia" is a program which highlights the country's strengths, namely its people, and that includes the diverse multi-racial

communities with their own cultures and with the ability to live peacefully together in a country of much beauty (MTM, 2013).

Over the years the numbers of local and visiting international tourists in Malaysia has continued to increase. In fact, in 2009 a total of 23.65 million tourists visited Malaysia, in accordance with data released by the Immigration Department (International, quarter two, 2010). Malaysia's visitor expenditure increased from RM12, 321.3 million in 1999 to RM31, 954.1 in 2005. Simultaneously, the physical growth in the number of hotels also indicated a successful growth in the hotel industry. The number of hotels rooms in 1980 increased from 26,173 to 45,032 in 1990 (Goldsmith & Zahari, 1994). In comparison, by 2006 there were 2,336 hotels and 157,251 rooms and in 2007 there were 2,360 hotels and 160,327 rooms in 2007 (Malaysian Tourism Report, 2009). Furthermore, in 2013 the number of hotels increased to 2,409. These statistics indicated that the Malaysia's hotel industry is growing at a progressive rate. Accordingly, it is perceived that the hotel industry is one of the most 'global' industries in Malaysia's service sector (Litteljohn, 1997; Mace, 1995 ).

However, the hotel industry in Malaysia is facing a number of challenges in the main due to fierce competition from other countries in the Asia Pacific region. The competition forces the hotel retailers to re-examine their marketing leading Malaysia's hotel industry to offer a unique level of services and products in order to differentiate themselves in a business environment which has become increasingly competitive (Murasiranwa, Nield, & Ball, 2010; Pine & Gilmore, 1999). Marketers in the service industry are shifting from a macroscopic view of understanding the nature and determinant factors and have embraced establishing, maintaining and enhancing their relationship with their customers in a holistic view in particular in an

environment of aggressive competition in the hotel industry. Consumers seek more, from the perspective of marketing, than merely the delivery and expenditure or consumption of services and products. As an alternative, consumers seek a unique consumption experience to accompany the services products that create a memorable encounter. Therefore, as the economy offers increasingly more products and services, in order to avoid commoditisation the hotel industry ought to find ways in which they can be differentiated from their competition by presenting unique experiences. An example of the way in which this can be achieved is by placing a focal point on both the design and the delivery of service-related encounters or experiences in order to increase the level of customer's loyalty and satisfaction (Pine & Gilmore, 1999; Walls, Okumus, Wang, & Kwun, 2011).

Therefore, one of the identified objectives of this study is to examine the effect of the dimensions of hotel image on repeat visitation in the context of Malaysia's hotel industry by expanding the existing body of knowledge in the area of image with the service experience. Service experience is considered to be a new economic offering. A service experience evolves as the next step following commodities, services and goods. In addition, as brand trust is also identified to play a significant role with respect to the context of a hotel's image and repeat visitation, this study investigates the mediating effect of a hotel's image on brand trust.

### **1.3 Problem Statement**

In recent years there has been a significant growth in the hotel industry in developing countries (Avci, Madanoglu, & Okumus, 2010). Overall, the hotel industry has become a truly competitive global industry (Avci et al., 2010). Since hotel industry is really struggling in a very competitive environment, it is very important for hotels to retain the customers (Sim, Mak, & Jones, 2006).

The focus of competitiveness of hotel industry has become increasingly important, mainly for countries and regions that rely deeply on tourism (Gooroochurn & Sugiyarto, 2005). With the rapidly and dynamic environment changing that the hospitality segment today activates has seen the need to develop and stay competitive take on a new determination (Blum, 2003). The aims of this changing environment are well recognized, with some of the main reasons recognized to the influence of information technology, for quality and increased global competition. Therefore the human resource management also are central to all aspects of the hospitality industry, in the creation, design, development and delivery of all its services (Mullins, 2001; Failte Ireland, 2005).

Previous research has indicated that a positive experience in relation to service products and other resources presented by a tourism venture can lead to repeated business (Chi & Qu, 2008). A decline in repeat visitation is widely reported to be due to several reasons; such as low levels of product quality or service differentiation, lower risk of switching costs, consumers become more demanding and increased levels of dissatisfaction, pricing satisfaction, inconvenience, core service failure and high competition (Bennett & Rundle-Thiele, 2005). Importantly, as repeat visitation leads to increased revenue for hotel industry, and ultimately positively affects economy, this study will examine those factors influencing the repeat visitation.

Additionally, besides improving the core services, hotel business are putting initiatives in order to build its competitive advantage by improving the relational benefits. Hotels are becoming more attentive to the requirement to customise their services to provide a good level of service performance to the emerging requirements for what can be referred to as customers with complex needs further to an increasing

growth in competition within the hotel industry (Palmer, McMahon-Beattie, & Beggs, 2000). Hotels regularly pursue to serving their markets by developing brands and sub-brands which are specific to the needs of each segment (for example Holiday Inn has segmented its markets by developing formats including Holiday Inn Express, Garden Court, Resort and Crowne Plaza). Hotels within these brands, can achieve further segmentation by differentiating their service to meet the unique and specific needs to each customer. observing preferences for a non-smoking bedroom or dietary requirements (Palmer, McMahon-Beattie, & Beggs, 2000). Hotels often seek to segment their markets by developing brands and sub-brands which are definite to the needs of each segment (for example Holiday Inn has segmented its markets by developing formats including Holiday Inn Express, Garden Court, Resort and Crowne Plaza) (Palmer et al., 2000). Hotels can achieve further segmentation by customising their service offer to meet the unique and particular needs of each customer.

Thus, customising the services to improve hotel performance are factors which are becoming more critical than ever before in hotel service settings. Accordingly, it is crucial for hotels to tailor their services to the ever changing lifestyle and needs of their customers in order to increase the level of retention of customers as well as maximising the repeat visitation (Min, Min, & Chung, 2002). In an effort to identify the factors that influence a customer's repeat visitation, the literature indicates that the hotel image has been acknowledged as an significant factor in a hotel's evaluation overall (Bitner, 1990) and it can be contended that hotel image comes to fore in the mind of a customer when the name of a hotel is made mention of (Nguyen, 2006). Studies show that image is significant for any business, due to its ability to influence the customers' awareness of the services and goods

offered (Kandampully & Suhartanto, 2003; Zeithaml, Bitner, & Gremler, 1996). Kandampully and Suhartanto (2000) identified image as one of the two most significant factors for guests to consider when repurchasing, in other words when considering revisiting, and when making a recommendation of a hotel. Accordingly, many hotels spend resources, time and money on advertising of their hotel and its services and its products in order to create a robust as well as an impressive image (Kandampully & Hu, 2007).

The common dimension of image in the service industry is the physical environment, personal contact from the contact personnel, a corporate identity, access convenience and pricing policy (Burt & Carralero-Encinas, 2000; LeBlanc. & Nguyen., 1996). Accordingly, this study has grouped the dimensions of hotel image as pricing policy, access convenience, corporate identity and personal contact. Additionally, customer experience has been added as a new dimension since it becoming crucial in relation to the hotel industry. In recent years, few researchers have focussed their research on the examination of the relationship between experiences and repeat visitation (Berry & Carbone, 2007; Carbone & Haeckel, 1994; Dubé, Enz, Renaghan, & Siguaw, 2000). These authors indicated that the customer experience has a considerable impact on building the repeat visitation. In fact, several businesses have concentrated their attention on the customer experience as a novel lever to develop value for both the customer and the business (Ferraresi, Schmitt, & Zarantonello, 2006; Ponsonby-McCabe & Boyle, 2006; Prahalad & Ramaswamy, 2004; Shaw & Ivens, 2005). A component of a service experience establishes a connection between a consumer and a product or service on an emotional level through the interaction of three dimensions: hedonic, peace of mind, and recognition in the buying process (Otto & Ritchie, 1996). Smith and Wheeler.

(2002 ) indicated that as we are living in what can be deemed the age of experiences, businesses ought to deliver a branded experience to their customers. Due to the importance in the humanity sense, this research has included service experience as an additional component to the components of hotel image.

Furthermore, in addition to hotel image, another factor identified to influence hotel visitation is brand trust. Studies on services and hotel branding-related research have suggested that robust branding can assist hotels in motivating the consumers' brand trust (Bailey & Ball, 2006). Effective branding through hotel image can assist hotels to build brand and ultimately can contribute towards enhanced financial performance through increased repeat visitation and also via new business (Reichheld & Sasser, 1990), leading to improved rates of occupancy (Hanson, Mattila, O'Neill, & Kim, 2009; O'Neill & Mattila, 2004; Prasad & Dev, 2000). Little is known about the role of brand trust as an intervening variable between the hotel image and repeat visitation. Accordingly, this study intends to investigate such a relationship.

This study is designed within the sample of hotels in Malaysia. The importance of studying the hotel industry in Malaysia is related to the expansion, in general, of the tourism industry which has evidenced much growth since 1970. Malaysia's hotel industry functions in a business environment which is characterised by a high level of uncertainty as well as strong competition (Ong, 2004) and as such it is important to examine the influencing factors to ensure continued success in the hotel industry can be achieved. As a response to competition and high uncertainty, hotel managers may adopt and rhetorically use concepts related to performance and quality such as a marketing campaign designed to alter market fashions. For the hotel industry, it is the concept of quality that remains largely attractive as it enables hotels



to advance their image to heightened levels whilst bolstering the underpinning profit-making strategy (Murasiranwa et al., 2010). Therefore, a strategy or practice to understand the change in consumer demand in relation to hotel services is crucial in permitting hotels, in the external environment, to utilise their competencies relative to opportunities in the best possible way. Accordingly, Malaysia's hotel businesses must strategically plan their business and develop customer images by providing best practices of service for their customers to attract repeat visitation.

In acknowledging the advantage of retaining customers, the development of customer loyalty programs as an indication of repeat visitation has become an significant focal point in recent years for marketing strategy-related research (Baker & Crompton, 2000; Corby, Jamner, & Wolitski, 1996). Therefore, a specific type of strategy is needed to reach targets for improved hotel performance. Thus, a practice or strategy to manage the process of change within a hotel business is crucial in enabling a hotel, in the external environment, to utilise their competencies relative to opportunities in the best possible manner. Accordingly, to raise performance levels a specific strategy which includes best practice is desirable. This then means that the internal environment of a hotel; in terms of a promotional strategy incorporating hotel image and service experience could provide the basis for the adoption of a practice of a strategy which could ultimately influence the performance of a hotel. Accordingly, this study was conducted in the context of the hotel industry in Malaysia, and in general, this study examined the relationship between hotel image and repeat visitation mediated by brand trust in the context of Malaysia's hotel industry.

## **1.4 Research Questions**

On the basis of the background provided and the research problem, this study endeavours to answer the following two research questions:

- (1) What are the effects of the dimensions of hotel image on the repeat visitation?
- (2) What is the mediating effect of brand trust on the relationship between the dimensions of hotel image and the repeat visitation?

## **1.5 Research Objectives**

This study addresses the following research objectives::

1. To investigate the influence of the pricing policy on the repeat visitation.
2. To investigate the influence of access convenience on the repeat visitation.
3. To investigate the influence of corporate identity on the repeat visitation.
4. To investigate the influence of the contact personnel on the repeat visitation.
5. To investigate the influence of the service experience on the repeat visitation.
6. To examine the mediating effect of brand trust on the relationship between the pricing policy and the repeat visitation.
7. To examine the mediating effect of brand trust on the relationship between access convenience and the repeat visitation,
8. To examine the mediating effect of brand trust on the relationship between corporate identity and the repeat visitation.
9. To examine the mediating effect of brand trust on the relationship between the contact personnel and the repeat visitation.
10. To examine the mediating effect of brand trust on the relationship between the service experience and the repeat visitation.

## **1.6 Significance of this Study**

The current research endeavour will be of benefit to both academia and industry practitioners. These two areas are further examined in the following sub-sections.

### **1.6.1 Theoretical Significance**

For this research, the theoretical significance can be considered in the perspective of two areas. Firstly, this current study provides a contribution to the existing literature by exploring inter-relations between the perception of hotel image and the repeat visitation. Since there is a dearth of studies in relation to examining the relationship between the repeat visitation and hotel image, this study gives further contributions to this area of research. It is intended that this research endeavour will add to the existing body of literature in relation to examining the dimensions of hotel image. Additionally this study will expand the dimension of hotel image by including the service experience. Therefore, five dimensions of hotel image were identified in this study for examination. As mentioned previously, these dimensions are: pricing policy, access convenience, corporate identity, personal contact, and service experience. The effort of adding a new dimension, namely service experience, to the previous research can contribute to the expansion of literature exploring the dimension of hotel image.

Secondly, this study examined the mediating effect of brand trust on the relationship between the repeat visitation and a hotel's image in the context of Malaysia's hotel industry. Thus, this study can add to the advancement of the Stimulus-Organism-Response (S-O-R) Theory which has evidenced a long-term relationship between customer loyalty and brand trust and the service provision by

the hotels. In that context, brand trust has been studied with brand loyalty in some researches (Chaudhuri & Holbrook, 2001, 2002; Sung & Kim, 2010). However, there is a dearth of research on brand trust in relation to the repeat visitation in the service industry. Accordingly, this study aims to fill the gap through the examination of the significance of brand trust in developing the repeat visitation.

### **1.6.2 Practical Significance**

It is anticipated that this will have some practical contributions emerging from the current research endeavour. These contributions are presented in here in this section.

Hotel industry has recently witnessed increased globalisation, higher customer turnover and competition, increased customer expectations, and acquisition costs. This indicates that performance and competitiveness of hotels are significantly dependent upon the ability of each hotel to meet the wants and needs of their customers in an effective and efficient way (Connolly & Olsen, 2001). This study can help managers to improve repeat visitation as a high priority strategy. Additionally, this study may provide an insight into a number of the factors in relation to hotel image and these factors can assist the hotel industry to create an attractive environment to encourage customers to pay for repeat visits. Furthermore, this study can enable those working in the hotel industry to better plan and move towards the creation of a better brand perception and repeat visitation. Thus, the findings of this study can directly assist decision-making for strategies in relation to marketing, benefiting the management of the hotel industry.

The advertising of a hotel is a way in which to convince the hotel's guests to purchase the service, which may enhance the visibility and influence of the hotel. Advertising may also establish the image of the hotel and their products to achieve a

form of promotional purposes. At the dimensional level, through the development of the effective activity of marketing communication and associated consistent programs, linked to the intended personality traits, marketers and advertisers may well increase the brand trust which in turn has an effect on their brands. Therefore, the outcome of this study is expected to stimulate strategy planning and lead to strong market demand.

Accordingly, hotels ought to provide training programs on an ongoing basis for their employees. Ongoing training may impart the technical skills, knowledge and interactive skills necessary for the delivery of quality services (Wilson, Zeithaml, Bitner, & Gremler, 2008). Employees in the service industry also ought to undertake training to impart interactive skills, for these types of skills are heavily interwoven with the technical skills required to provide a service which is courteous, caring, responsive and empathetic. The outcome of this study is important in relation to the requirements of training programs to ensure that the training is planned to match the mission, values and strategies of hotel.

### **1.7 Scope of this Study**

In the context of this study, there is a focus on hotel image, brand trust and repeat visitation in the hotel industry in Malaysia. The aim of this current study is to provide an explanation for the impact of the individual constructs of hotel image (pricing policy, access convenience, corporate identity, contact personal and service experience) and brand perception (brand trust) on the repeat visitation.

This study is to be conducted among four star hotels. The target respondents are local customers who stay at hotels for business or vacation purposes in Malaysia from the areas of Kuala Lumpur, Penang and Johor Bahru. These three locations were chosen based on the following justification. Firstly, Kuala Lumpur, which is the

capital of Malaysia, was selected as it has the majority of hotels in the country and the majority of the tourists choose to stay in Kuala Lumpur. Secondly, Penang was selected as it is the business centre for the east-south area and east Asia since 1786 (Lopez, 1991). Thirdly, Johor Bahru was chosen as it is an important tourism, industrial and commercial hub of the country. In order to obtain data for this research endeavour, a survey instrument by way of a self-administered questionnaire was utilised and distributed to the customers staying at the hotels in the three designated areas in Malaysia.

## 1.8 Definition of Key Terms

Table 1.1: Definitions of Key Terms

<b>Variables</b>	<b>Definitions</b>
<b>Hotel Image</b>	The perceptions of an organisation ( <i>hotel</i> ) reflected in the associations held in consumer memory (Kevin Lane Keller, 2003).
<b>Corporate Identity</b>	The processes through which stakeholders perceive the organisation's identity, image, and reputation are formed (Balmer & Gray, 2003).
<b>Pricing Policy</b>	The particular actions necessary for reaching the final price (Oxenfeldt, 1983).
<b>Access Convenience</b>	The "consumers' perceived time and effort expenditures to initiate service delivery" (Berry, Carbone., & Haeckel., 2002).
<b>Personal Contact</b>	A crucial element that determines the success of the service delivery process (Bitner, 1992).
<b>Service Experience</b>	A service process that creates a customer's cognitive, emotional, and behavioural responses, thus resulting in a mental remark, or a memory (Bo Edvardsson, Enquist, & Johnston, 2005).
<b>Brand Trust</b>	The willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri & Holbrook, 2001; Morgan & Hunt, 1994).
<b>Brand</b>	A name, term, sign, symbol, or design (or a combination of them) used to identify the goods or services of a seller or group of sellers, and differentiates them from those of its/their competitors (Cunill, 2006).
<b>Repeat visitation</b>	An affirmed likelihood to revisit the hotel in both the absence and presence of a positive attitude toward the provider (Aaker, 1996; Han, Back, & Barrett, 2009).

## **1.9 Organisation of the Study**

The preceding sections in this chapter have elaborated on this study's background and presented the problem statement, the research questions, and the research objectives. It also highlighted the scope and significance of the study. The definition of the key terms is also presented in this chapter.

The second chapter includes a detailed literature review concerning hotel image, brand trust, repeat visitation, and explores the theoretical foundation based upon the research questions and the correlating hypotheses have been formulated.

The third chapter discusses the methodology utilised in this study in order to provide an answer to the research questions. The chapter also outlines the research conceptual framework, research hypotheses, and the research design. It also discusses the questionnaire, the sample size, population, unit of analysis, research instruments, sampling technique, data collection procedures and statistical analysis.

The fourth chapter covers the results of the analyses. While the fifth chapter presents a general discussion in parallel with this study's objectives. Finally, the fifth chapter finishes with a discussion concerning the limitations of this research endeavour and provides recommendations for further research.

## **CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **2.1 Introduction**

The objective of the current study is to examine the relationships between the various dimensions of hotel image including the newly identified dimension of service experience on brand trust and the repeat visitation. This chapter reviews the pertinent literature in relation to the nature of this research endeavour and the conceptual background of the independent and dependent variables which were selected in this study. These variables were identified as hotel image, brand trust and repeat visitation. This chapter also discusses the underlying theories from the prior empirical studies which relate to the development of a theoretical framework and research hypotheses.

### **2.2 Growth and Competition in the Hotel Industry**

Currently, there is constant change in an ever increasing competitive market which places pressure on the hotel industry. As such, hoteliers ought to endeavour to maximise the results of their business through increasing the level of their profit margins and through growth of the business (McDougall & Levesque, 2000). The hotel industry has experienced a period of transformation which has evidenced unprecedented changes over the last two decades or so and this change is most likely to be ongoing into the future. This is mainly due to the expansion of the tourism industry. Currently, the hotel industry functions under a transparent and very dynamic environment. This situation creates pressures for an enhancement of competitive strength and creates the demand for more effectual management of



customer relations through processes such as service delivery, online interaction and marketing. Competitive markets with increasingly globalisation have driven both international and local hotels to develop their standards to guarantee that they are at the forefront or at least keeping abreast with their competitors.

Previous studies have indicated that customers interact with hotels by two principal components of image and that emotional and functional components (Harris & Chernatony, 2001). The functional component is related to those characteristics which are deemed as tangible in that they can easily be assessed, such as the a hotel's physical environment and the product that customers can see and touch in reality. In contrast, the emotional component is associated with the intangible and psychological dimensions which are manifested by attitudes and feelings towards a business enterprise (Kandampully & Hu, 2007). For instance, a hotel ought to highlight the competence of its personnel or its features, such as room comfort as the indices of service quality are a strategy employed to create a favourable image (Nguyen, 2006). Such service qualities influence the decision of the customers and their behaviours which in turn reflects on the image of the particular service provider, and in relation to the present study the service providers are hotels in Malaysia.

Past research indicates that image is an significant factor in attracting new customers, for increasing market share, and for the suitable positioning of the product in the marketplace (Chen, Ekinici, Riley, Yoon, & Tjelflaat, 2001; Faullant, Matzler, & Füller, 2008). Image is also crucial for increasing the level of customers' satisfaction (Back & Lee, 2009; Mazanec, 1995). This in turn can strengthen the positive attitude concerning a product leading to an intention to purchase (Lee, Back, & Kim, 2009; Pizam & Milman, 1993) and according to (Ryu, Han, & Kim, 2008)

extend favourable comments by way of word-of-mouth. In examining service organisations, in capturing data concerning consumer behaviour, the data can be utilised to examine the consumers' point of view. This point of view is based on the service experience provided by the service workers and the service setting otherwise known as servicescape from the perspective of the consumer. It is these elements that represent the advantages promised as a result of the service contract (Bitner, 1992; Christopher Lovelock & Lauren Wright, 2002).

Research indicates that, in the general, a hotel's image defined and is dependent upon the customers' overall perceptions created by processing information and by previous or sensational knowledge of a hotel and its positive characteristics (Han, Hsu, & Lee, 2009). In this way image represents the public's overarching impression of a hotel (Barich & Kotler, 1991; Nguyen, 2006).

### **2.3 Classification of Hotels as Star Ratings**

Customers classify hotels on the basis of meeting certain criteria such as physical characteristics such as the size of the room, an ambient environment including practices which are deemed environmentally friendly and facilities such as a pool and restaurants that specialise in certain types of cuisine (Kulamannage, 2010; Times, 2011). A study, by (Minazzi, 2010), identified that there are many programs, such as seals of quality and classifications, which are promoted by the private sector and public authorities. These programs may create a level of confusion with respect to the consumers' perception of hotel quality. Furthermore, countries and regions can differ in that they can elect to adopt different approaches depending upon the particular features of the classification system in use. Minazzi (2010) noted that for evaluating hotel quality there is one method which is the establishment of ranking based upon specific criteria such as a symbol being assigned which certifies a

category for quality. Minazzi indicated that the scale and symbol utilised can vary from one country to another. However, with a scale of 1 to 5 readily adopted, the most common symbols in use are the diamond and the star. For example tourist hotels in Taiwan have divided their category of hotel into tourist hotels which are designated as ordinary tourist hotels and those which are assigned as international (Taiwan's Tourism Bureau, Ministry of Transportation & Communications, 2009).

In Taiwan the symbol of a star is used as a hotel rating. The star rating has been issued in Taiwan by the Tourism Bureau which sits within the Ministry of Transportation and Communications. In this system of rating local tourist hotels have been classified as either two-star or three-star hotels whilst the International hotels have been rated as four- and five-star hotels.

The star classification within the hotel sector is demonstrated by a few studies (Israeli, 2002; López Fernández & Serrano Bedia, 2004; Minazzi, 2010). From the perspective of the customers, the star category or rating and price may well be factors that influence the expectation of consumers (Danziger, Israeli, & Bekerman, 2006; Israeli, 2002). Accordingly, a customer paying a premium price for a stay at a hotel of a high category has the tendency to be more demanding, as there are higher expectations to meet the higher quality assessment required and to reach customer satisfaction (Davutyan, 2007; Fernández-Barcala, González-Díaz, Prieto-Rodríguez, & Pestana Barros, 2009). In general the classification of the rating of a hotel is producer-driven rather than driven by the customer (Briggs, Sutherland, & Drummond, 2007). Therefore, a very important factor for the hotelier to consider is the building of the hotel image in order to position themselves accordingly among their competitors.

The star rating is determined by the customers' selection of a hotel. For example when customer is looking for hotel to stay, he or she will find different star-ratings of hotel. At this stage the customer will note that hotels charge radically different prices dependent on the star-rating. From this an inference can be drawn that customers who pay a higher price should and ought to be provided with better services and at a higher-quality than those hotels with a lower rating. Accordingly, customers at four-star hotels are more likely to want and, therefore, expect a higher level of service in comparison to a hotel with less notable facilities. At this stage customers will envisage an image of their preference for the required level of service, and then match this preference with the star level they prefer.

Similarly, Saleh and Ryan (1992) indicated that in selecting a hotel the guests decision-making was found to be based upon a number of factors. These factors included considerations such as clean and spacious accommodation with a comfortable bed, friendly hotel staff providing efficient service, the availability of a restaurant with food priced at a reasonable rate for value, aesthetically pleasing hotel decor both exterior and interior and convenient parking for the hotel guests. In general, for hotels providing a full service, their guests expect a level of consistent service. This level of consistency includes a high level of attentiveness to providing a high level of service from the hotels' service personnel. Ordinarily, those hotels providing a full-service provide services, such as room service, newspaper delivery, wake-up calls, bed turn-down, security guards, and a shuttle service to and from the airport or to nearby tourist attractions (Zhang & Mao, 2012). However, if the characteristics of the star-rated hotel are not reflected or not experienced by the customers, it is expected that this will have an adverse effect on the image of that particular hotel.

## **2.4 Hotel Ranking Systems and Hotel Star-Rating**

All of the systems that evaluate and analyse hotels by quality, through the assignment of a category (from 1 to 5) satisfy several minimum standards requirements for quality. Furthermore, over the last few years countries that have adopted a different scale to evaluate quality have altered the structure of the programs they deliver, making them more uniform. For example, recently in France, the system has been changed, with the renaming of the four-star as a luxury category of five-star rating, to make it more in line with most other countries in the European Union. This provides a level of consistency for customers, and as such is an improvement as customers are able to make a comparison of hotel services in France, and extend that comparison to other hotels within Europe, which increases hotel competitiveness. The rating classification in Europe reveals other additional differences. In some instances the rating classification program is a national one which is managed centrally by the government. On other occasions, it is administered either by regional governments or by private organisations or in some instances a combination of the two. The classification system can either be compulsory or chosen and, in general, the schemes run nationally are voluntary.

## **2.5 The Ranking of Four-Star Hotels**

International hotels are generally ranked by several types of criteria which ultimately will highlight the services obtainable and communicate some form of hotel status. Whilst there is no international classification standard that hotels worldwide subscribe to, the rating of stars all pertain to a hotel's level of service. That includes the facilities they provide, the price of the room and the location of the hotel. The ranking of a hotel as a four-star property is related to factors such as the

availability of concierge services, a swimming pool, multiple rooms and the options of a suite, and business facilities, restaurants and bars on site (Essential Travel, 2014).

A study by the Caribbean Tourism Organisation (2002) highlighted the British hotel classification of rating system (British System) which focused on the consumers' perspective on accommodation properties. The classification system was introduced to the customer in order for the customer to understand easily. In travel-related books, this system of classification is part of the description of hotel properties.

For example, the minimum requirement (AA rating British system star hotel) was categorised into five categories starting from one to five stars. The classification of four-star hotel gives the customer an expectation that at this level the hotel offers a degree of luxury with high-quality decor, furnishings and equipment in all areas of the hotel. Also, there is the deliberate intention for the bedrooms to be more spacious in comparison to those at the lower star levels. Furthermore, and as mentioned above in relation to quality, the four-star properties have well-coordinated and designed furnishings and decor. Four-star properties have integral bathrooms with facilities including a fixed shower and a bath. There is also an expectation that these properties will have a sufficiently high ratio of staff to the number of guests in order to provide a high level of service which includes the availability of a porter to carry luggage and parcels, room service available twenty-four hours a day, offering laundry and dry-cleaning services. Furthermore, in these properties the restaurant ought to be able to demonstrate its approach to cuisine is a paramount consideration.

The European hotel rating system compares the cases of Spain, Germany, France, and the United Kingdom. In 2009, a new regulation was established to meet

the capacity to compete on an international basis. The previous classification rating system consisted of six levels: four-star luxury, four-star, three-star, two-star, one-star and at the lowest part of the scale 0-star. The 4-star luxury category itself was changed to the category of 5-star to increase French hotel operators' level of competitiveness, and, importantly, to reduce possible consumer confusion between the two levels of 4-star rated properties (Minazzi, 2010). With the 1- to 5-star classification categories, each Regional Government has the responsibility for monitoring these standards by way of annual inspections. Before 2006, the Classification System in Britain was comparable to the Italian and Spanish ones, and the inspection and evaluation of a hotel's quality evaluation was the responsibility of the regional authorities within Northern Ireland, England, Scotland and Wales. In 2006, in accordance with (Minazzi, 2010), the national government in collaboration with the Wales Tourist Board, *VisitScotland* and *VisitBritain*, developed a nationwide classification system. The system was named the National Standards of Quality Assurance. The star ratings are assigned based upon a score which is expressed in percentages. For this classification, the category of 4-star hotel is designated a percentage score from 70 to 84 per cent (VisitEngland, 2009).

On the other hand, in the United States and Canada, the classification comprises a rating of letters as AAA. The system is further divided into five levels (five diamonds being the highest and one diamond representing the lowest). This rating represents a combination of factors: the level of hospitality offered; the overall quality offered; and the range of available facilities. The criterion assists customers to decide upon the location they desire, the price they wish to pay, the type of structure including whether it has been newly built or renovated recently, facilities on offer and other factors including comfort and degree of cleanliness. An on-site

examination of the property can determine whether the hotel is able to or not meet the standards of a specific diamond category through the analysis of its curbside appeal, and other factors relating to the establishment's basic foundation (Minazzi, 2010).

## **2.6 Repeat Purchase**

The success for most service organizations, economic that purchase their offering repeatedly depend of maintaining a long-term relationship with customers (Reinartz et al. 2005; Rust et al. 2004). Understanding the goals customers repeatedly purchase from a service firm therefore represents an issue of essential significance. Service of research on repeat purchase for consumer services, present knowledge on this issue is highly continuous for many marketing researchers (Paul, Hennig-Thurau, Gremler, Gwinner, & Wiertz, 2009).

Dick and Basu, (1994) indicated that repeat purchase behaviour reflects the behavioural dimension of customer loyalty which implies that we are interested in any kind of repeat purchase behaviour, nevertheless of whether repeat purchases occur because of attitudinal loyalty. Paul et al. (2009) show that service attributes refer to a customer's knowledge of the characteristics of a specific service provider, which drive his or her repeat purchases from that provider, also driving the benefits describe a customer's knowledge of the advantages he or she receives from the service provider which prompt repeat purchases, beyond the advantages derived from the core service. Repeat purchase or repeat visitation represent the outcome of the services based on the benefit or the services that provided it to them, these is in line with underlying theory (S-O-R) of this research, which indicate that repeat purchase as a response to this relation.